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UNCLAS SECTION 01 OF 04 ALGIERS 001112

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E.O. 12958: N/A

TAGS: [ECON](#) [EINV](#) [CH](#) [AG](#)

SUBJECT: ALGERIA AMBIVALENT AS CHINESE LABOR AND GOODS, NOT
INVESTMENT, FUEL ECONOMY

SUMMARY

1. Chinese workers, who first flocked to Algeria in the late 1990s to meet the country's steep labor demand for construction projects, today number around eight thousand at any given time. While they are still most prevalent in the construction sector, many moonlight as traders of Chinese wares. Algerians households have shown wild enthusiasm about the low cost and variety of Chinese-made goods now available after a decade of civil war and three prior decades of socialist austerity. Nonetheless, there are traces of resentment of the Algerian Government's reliance on Chinese labor when domestic unemployment hovers around 20 percent. President Bouteflika, for his part, has hailed the Chinese work ethic while criticizing the country's dearth of investment in Algeria. Concerns about the quality of Chinese goods and increasingly stringent Algerian import standards may imperil demand for certain types of Chinese goods and projects, but Algerians tend to view the Chinese influence here as a net positive for the country. End Summary.

CHINESE FIRST DRAWN BY CONSTRUCTION SECTOR

2. A wave of Chinese workers first appeared in Algeria in the late 1990s as Algeria's security situation stabilized and demand for housing became a political imperative. The shortage of adequate housing stock throughout the country -- a function of demographic youth bulge, rural flight during a decade of civil war, inadequate government planning, a dysfunctional rental market, and a lack of skilled Algerian labor -- remains one of the country's most pressing challenges. President Bouteflika promised one million housing units would be built during his 2005-2009 mandate. In turn, the GoA looked to Chinese contractors to finish the job quickly. (Note: According to the Minister of Urban Planning and Habitat, Algeria delivered just 132,000 housing units last year, despite the Chinese contribution. This is largely the result of poor state stewardship of housing distribution, Algeria's inadequate financial sector, and bureaucratic morass. End note.)

STRICT REGISTRATION REQUIREMENT LIMITS ILLEGAL IMMIGRANTS

3. A May 28 report by the Algerian Ministry of Labor and

Social Solidarity estimated the total number of Chinese workers in Algeria around eight thousand at any given time. Despite their relatively small numbers, the Chinese represent 45 percent of the foreign labor in the country. Embassy contacts in the business community and with the Algerian Police confirmed the figure, although the Arabic-language daily El Khabar reported June 17 that the figure could be as high as 15,000. Workers must register with the Ministry of Foreign Affairs, the Chinese Embassy, and with the local police in the area they work. Chinese laborers who overstay their visas or residency permits, which typically last for the duration of a particular project, are routinely deported within a week, according to an Algerian businessman with close ties to the Chinese community. Given the GoA's strict monitoring of foreigners and the continuing state of emergency, it is unlikely that Algeria possesses a sizable community of illegal Chinese residents, if any at all.

LABORERS MOONLIGHT AS VENDORS

¶4. Many Chinese workers employed in Algeria as contractors hold secondary jobs as vendors of Chinese products. According to a local adage, there is one bed for every three Chinese in Algeria: in any eight hour stretch, one is sleeping, one is working on a construction site, and the other is out hawking wares on the street. These vendors utilize the so-called "tabla" sales method of setting up stands on the street for their goods. Embassy contacts note that for the most part, the Algerian authorities view the Chinese residents as a benign foil to other more problematic foreign populations, such as African migrants. An Algerian importer told Econoff that as long as the Chinese are here to work and they have the proper papers, the authorities leave them alone.

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¶5. Besides laborers in Algeria for fixed contracts, a significantly smaller community of Chinese have acquired residency by setting up trading companies. The National Center of Trade Registration reports that there are 278 Chinese companies registered nationwide. Two large Chinese shops recently opened, for example, on the main commercial boulevard of Algiers. Provided they register their address with the police, foreign businessmen need not work with a local agent, although many choose to have an Algerian partner to facilitate the commercial registration process. According to Embassy contacts, many of these Chinese relocate from other parts of the Middle East, such as Egypt, and can speak Arabic when they arrive. Many are known to marry Algerian women.

¶6. Embassy contacts note that Chinese traders rely almost exclusively on cash for their business transactions and rarely possess bank accounts. Chinese laborers, for their part, normally receive their wages in China. With only a meager stipend for living expenses in Algeria, their "tabla" trade is an important part of their livelihood.

GOODS TRADE DOMINATES

¶7. Simple goods trade dominates the Algerian-Chinese economic relationship. According to official Algerian trade statistics, China was the fourth largest provider of imports to Algeria in 2005, accounting for 6.5 percent of Algeria's total imports. Algerian exports to China are significantly smaller, however, thereby lowering China's rank for two-way trade with Algeria to twelfth place in 2005. Chinese goods most prevalent in Algeria include electronics, office furniture, construction materials, clothing, spare parts, and plumbing products.

¶8. The major centers for trade in Chinese products are in the so-called "Dubai" neighborhoods of Algiers and Setif, some 225 kilometers southeast of Algiers. Former Prime Minister

Ouyahia said on Algerian television last year that quantities of trade in the Algerian "Dubais" were so great that vendors had substituted weighing money for counting it. Many Chinese goods enter Algeria overland through Libya or Tunisia, or by ship from the real Dubai -- in the United Arab Emirates. Many other goods arrive via so the so-called "cabas" (tote bag) method, whereby, for example, a traveler arrives from the Persian Gulf with hundreds of bottles of Chinese-manufactured perfume in his luggage. According to the UAE Embassy in Algiers, they have attempted to limit "cabas trade" by more closely scrutinizing Algerians applying for visas.

DEARTH OF INVESTMENT

¶9. Despite the abundance of trade, there is little Chinese investment outside of hydrocarbons in Algeria. President Bouteflika, while touring the Chinese Pavilion at the Algiers International Trade Fair June 1, pointedly criticized this shortfall, as recounted to Econoff by the director of the trade grounds who accompanied the President during his tour. This trend was clearly reflected in the composition of firms represented at the fair. Touring the Chinese Pavilion June 8, Econoff noted numerous booths promoting electronic goods, agribusiness equipment, machine parts, and vehicles. In comparison to many other countries' pavilions, there was not a single booth showcasing industry or sustained investment opportunities.

¶10. Since 2002, two Chinese firms -- CNPC and Sinopec -- have signed three contracts for roughly USD 1 billion in hydrocarbon projects with Algeria. According to the Algerian press, China's Huawei Technologies signed a contract in 2004 with state-owned Algerie Telecom to develop a high-speed internet network. In June, the consortium began developing the network in four Algerian cities.

DESPITE QUALITY CONCERNS, HOUSEHOLDS FLOCK TO CHINESE WARES

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¶11. Concerns about quality and increasingly strict Algerian import standards may imperil market access for certain Chinese products. In line with a law passed last year banning the importation of used vehicles over three years old for environmental and safety reasons, Embassy contacts note that Algeria is planning by the end of the year to raise its standards for new vehicles to the same level as those in Europe. Chinese vehicles, which are currently available in Algeria but lack airbags and other safety measures, will fall well short of these requirements. In the same vein, a 2005 law empowered the Algerian Center for the Control of Quality and Packaging (CACQE) to bar food imports that do not meet the World Health Organization's CODEX Alimentarius standards. As a result, Algerian authorities recently blocked a Chinese shipment of 4,500 tons of canned beans that were not up to code.

¶12. For their part, Algerian households are largely unfazed by such quality concerns and have responded to the influx of Chinese products with unabashed enthusiasm. Chinese wares offer the average Algerian family access to goods that were well out of reach during the decade of civil war and the three prior decades of socialist austerity. Not only has the variety of goods expanded but Chinese products cost a fraction of their European equivalents. Whereas Algerians once traveled to Europe to buy goods unavailable here -- and still do for certain products, such as luxury goods -- the situation has reversed. Now members of the Algerian diaspora return to Europe laden with inexpensive goods that they acquired while visiting relatives here. Families that once went into debt preparing their children's home for marriage can now afford a greater quantity of household goods at a fraction of the cost.

¶13. While the typical Algerian family has shown a preference for quantity over quality, contacts in the construction sector have noted some work shifting to non-Chinese competitors. Developers of high-end real estate projects continue to depend on Chinese workers for concrete work and basic structures, but they are increasingly turning to other subcontractors, including Tunisian firms, for higher quality finish work. The Algiers Sheraton is a striking example of the pitfalls of quick-turnaround Chinese construction. Its shine long gone since opening in 1999, the Sheraton is rife with electrical and plumbing problems, shoddy tilework, and cheap finishes. The lifespan has yet to be seen for a handful of high-profile, Chinese-constructed projects currently underway, including the new Algiers airport terminal and an expansion of the MFA.

COMMENT: CHINESE A GOOD SHOCK TO THE SYSTEM,
LIKELY TO CONTINUE OPERATING UNDER THE RADAR

¶14. Algerians tend to view the role of Chinese business in Algeria as a net positive shock to the system. Besides the variety of goods now available, President Bouteflika has publicly praised the work ethic of Chinese laborers, referring to them last year as "ideal workers" -- an inspiration for, and clear dig at, much of the Algerian workforce.

¶15. Some uneasiness remains. Part of this is a function of the skepticism Algerians accord all foreigners. In addition, despite the critical demand for housing and the implicit acknowledgment that Algerian labor is not able (or willing) to meet the country's needs, many Algerians resent the state's use of Chinese labor when their own unemployment rate hovers around 20 percent. An Embassy contact involved in real estate development in Algiers noted that the perceived Chinese dominance in the housing sector has led to political pressure to develop deals with other countries, such as Turkey and Belgium. Similarly, the harsh words of Bouteflika at the Chinese trade pavilion track with rumors that the use of Algerian labor was a critical component of China's winning bid for a segment of the future East/West Highway.

¶16. Nonetheless, the Chinese in Algeria have largely succeeded in tempering Algerian suspicion of them by remaining below the radar. One Embassy contact noted that Algerians welcome the fact that there are no "Chinatowns" in

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Algeria. When not toiling away at one of their many jobs, the Chinese here are practically invisible. Provided they remain so, the size of the Chinese community here stands ready to meet predictions by the Algerian Ministry of Labor to double by next year and, as recent Algerian editorials have speculated, grow tenfold in the coming years.
ERDMAN